Hong Kong: Britain's responsibility

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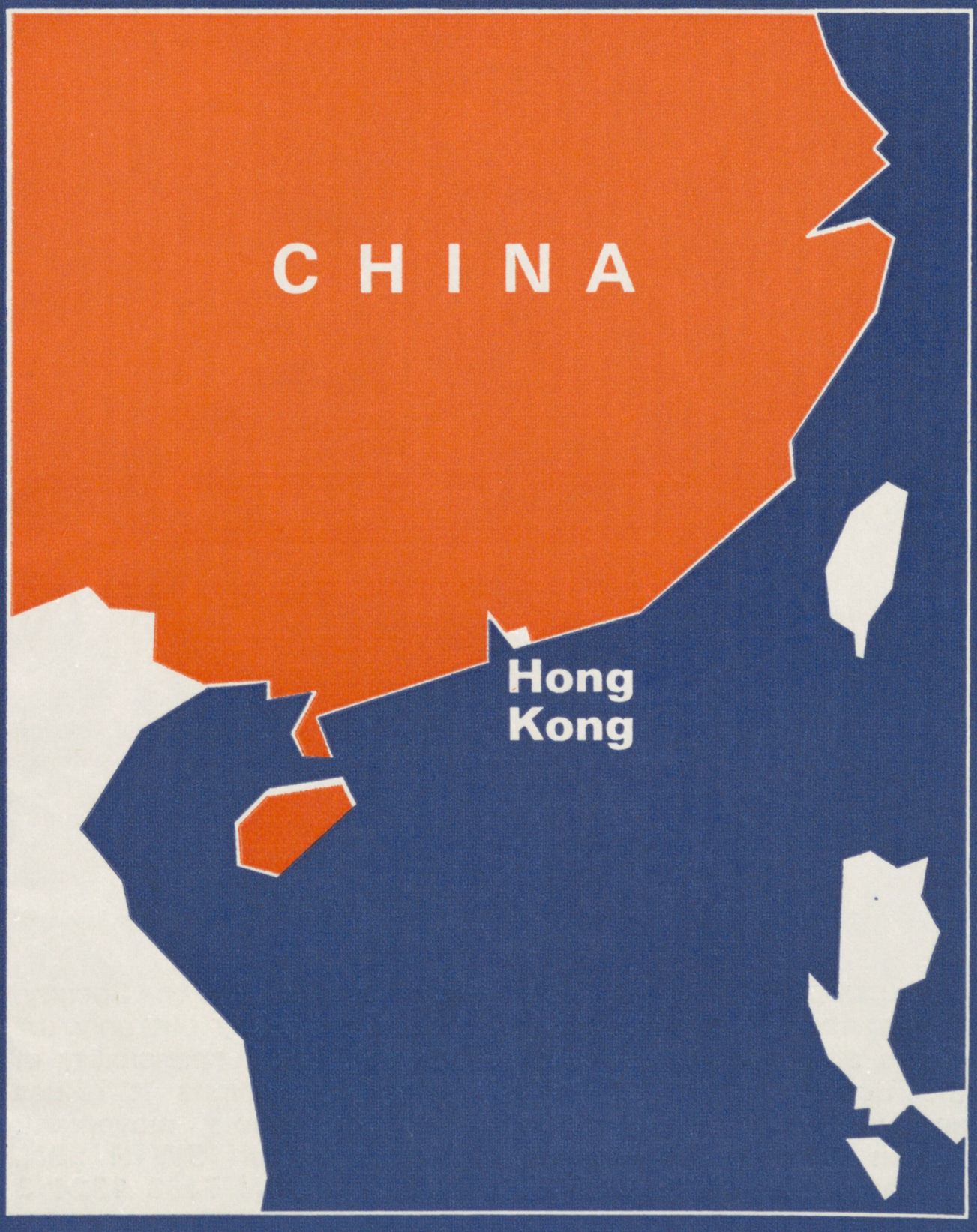

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1 this very peculiar place

Little is heard of Hong Kong in Britain. It is one of those remnants of Empire, as are Gibraltar and the Falkland Islands, about which no news is good news. On the rare occasions it makes the headlines it is usually because of its reputation as a "sweatshop." "Slaves : Empire-made" was a typical headline in the *Daily Mirror* in 1970. More recently, through the criminal trials of leading police officers, the British public has been given a glimpse of another aspect of life in the Colony, the corruption which pervades many branches of the Colony's public service.

But when all the allegations about child labour, police corruption, low wages and long working hours, and the "dumping" of textiles have been made, and the feelings of righteous indignation have been aired, and the label "corrupt, colonial sweatshop" been firmly tied on once again, what then ? The Colony slips quietly out of the headlines, the British Government maintains a discreet silence, and the British people and Parliament, on whom the ultimate responsibility rests, remain indifferent to the fate of over four million people in the most important remaining British Crown Colony.

Why does this happen ? Of course, Hong Kong *is* a long way away—eight thousand miles. And that title of British Crown Colony does summon up slightly comic visions of a white-plumed governor placidly ruling among the palm trees. A vision rather hard to take seriously in the mid 1970s. But Hong Kong is neither placid nor comic. Partly situated on the territory of the world's most populous communist power, it is small and overcrowded, it is highly industrialised, and its economic creed is unrestrained capitalism. Three quarters of the population, some three million people, live in approximately 13 square miles of built up land at a density ten times that of New York in 1960. It has the highest rate of narcotic addiction in the world with over 100,000 addicts in a population of four million. This is equivalent to one in every ten male employees being an addict (there are relatively few female addicts). At least 70,000 are reckoned to be heroin addicts. The suicide rate in 1974 was amongst the highest in the world. Prostitution and gambling are rife and highly organised by professional gangsters. Crimes against the person rose by 285 per cent between 1969 and 1974.

Hong Kong is in its own right a major international economy. As a highly industrialised "city state" with 43 per cent of the occupied population engaged in manufacturing, its Gross National Product per capita is second in Asia only to Japan ; and higher than those of Greece, Spain, Portugal or Yugoslavia. By the late 1960s the total value of Hong Kong's manufacturing exports far exceeded those from any other developing country in the world. Indeed it exceeded the whole of Latin America put together. It is also a major centre in South East Asia for banking, insurance, shipping and distribution. In short, it is one of the world's top twenty trading "nations" where vast personal fortunes have been made in the past twenty years. And here, obviously, is one reason for the business-as-usual approach to criticism of the Colony's affairs. The politically powerful commercial elite likes things the way they are.

But there are high political stakes too. Hong Kong is the subject of a delicate and tacit understanding between the Chinese and British Governments. Ostensibly left wing ministers soon learn to utter the bland syrup of Foreign Office statements when questioned about Hong Kong. The fact is, as we shall see, the present arrangement has been to the mutual advantage of both the British and Chinese Governments. Today, the advantage if anything lies more with the Chinese. But neither China nor Britain are looking for an end to the present arrangement. As Alec Douglas-Home said at a press conference in Peking on 2 November 1972, when asked about the status of Hong Kong: "I think we were both satisfied with the situation." Thus, very powerful forces indeed are wedded to the *status quo*—the commercial and industrial elite of Hong Kong, the British and Hong Kong Governments, and the Chinese Government in Peking. What about the people of Hong Kong, 98 per cent of whom are Chinese ? There

are few overt signs that they wish for change either. Unique in being an industrial colony, Hong Kong is also a colony without a popular movement for independence. "Independence" in Hong Kong is a word that has no meaning, for the presence of mainland China emasculates the political development of the Colony. Political realities dictate that Hong Kong is either a British colony or an integral part of China under control from Peking. Nor can it be claimed that social and industrial conditions are a cause of organised labour unrest. For over twenty years the number of man-days lost through strikes has been extremely low. A recent report of the Hong Kong American Chamber of Commerce points out that between 1969 and 1973, an average of 32 working days a year were lost per 1,000 employees in Hong Kong. The equivalent figures for other countries were: Canada 1,722, the USA 1,372, Britain 1,036, Japan 238, Sweden 62. But the threat of disorganised violence is never far below the surface and riots and street demonstrations occur from time to time. The last serious outbreak, in 1967, owed something to labour conditions but was mainly inspired by the Cultural Revolution in China. Only 13 per cent of workers are trade union members, and the unions themselves are politically divided, fragmented, and still weak in bargaining consciousness.

For socialists—indeed for any liberal British observer—the patent injustices and exploitation in Hong Kong are unacceptable and the response of governments and people inexplicable. This pamphlet is an attempt to inform a wider public about conditions in Hong Kong, to explain the real difficulties which inhibit change, and to suggest some areas of practicable reform. For change there must be. In 1869 Sir Graves MacDonnell, then Governor of Hong Kong, referred to the "special, exceptional circumstances of this very peculiar place, its very peculiar inhabitants and most peculiar geographical position." These peculiarities, real or imagined, have for too long been used as an excuse for betraying those values which have made the British at home the most liberal of industrial peoples. Some day China will take over responsibility for Hong Kong. Between now and then Britain has a chance to promote those values. If we cannot do that, what are we doing there?

2. Britain in China

It was trade that first took Britons to Hong Kong, particularly opium smuggling. Opium grown in India was exported by British merchants, under licence granted by the East India Company, into China. By 1832 the opium duty was providing one eighteenth of British India's gross revenue, and contributing substantially to Britain's balance of trade. When the Chinese Emperor Tao-Kuang determined to stamp out this evil trade the British and Indian Governments with the East India Company resolved to defend it.

the treaties

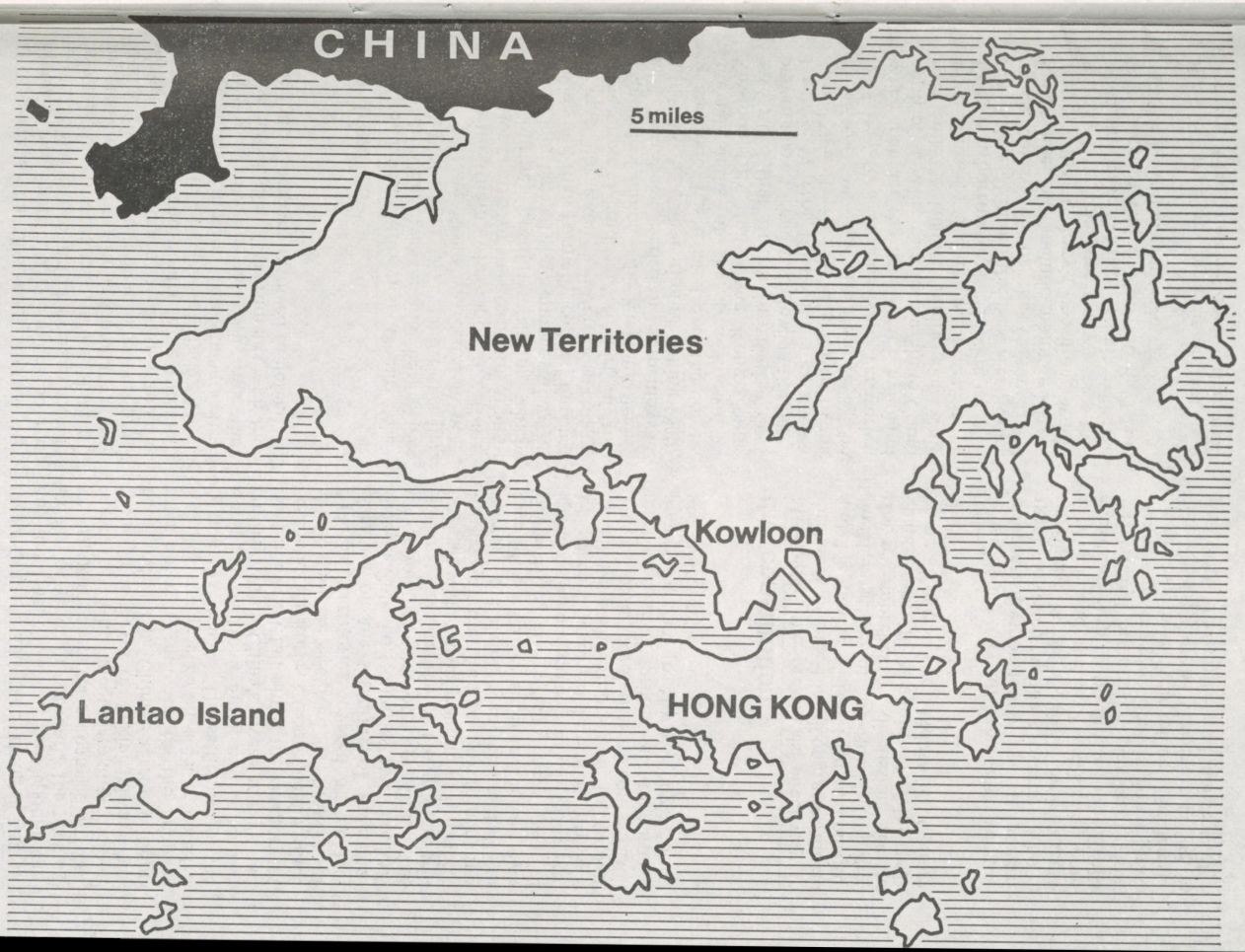
The result was the first Opium War (1840-42) which was terminated by the Treaty of Nanking 1842. Under this the island of Hong Kong was ceded in perpetuity to Britain, whereupon it became the major centre for the continuing opium trade. Further hostilities, during which Lord Elgin burned the Summer Palace in Peking and then formally entered the city in state borne on a litter, resulted in Stonecutters Island and a part of the mainland of China—the Kowloon Peninsula—also being ceded in perpetuity to Britain by the Convention of Peking 1860. (Some doubt has existed over the constitutional status of the area known as Kowloon City, but Hong Kong Courts have ruled that British jurisdiction does prevail there.) Finally, following the Sino-Japanese War of 1894-5 the area known as the New Territories was leased to the Crown for a 99 year term from 1898. The lease therefore on the New Territories, which includes the area of the mainland north of Kowloon up to the Shum Chum river and 235 islands, expires on 1 July 1997. Thus, in a famous phrase, Hong Kong is a borrowed place, living on borrowed time. Without the New Territories, which cover 366 of the Colony's 400 square miles and include major industrial centres, the Colony's position would scarcely be viable, and many expect that when the lease falls in, Britain will also cede back to China Hong Kong Island and the Kowloon peninsula.

But 1997 may not be as important as it appears. First, no-one doubts that militarily China could take Hong Kong at any moment if it chose. A telephone call would be enough. Second, the Peking government has never recognised what it regards as "the unequal treaties." Hong Kong in the eyes of Peking always has been and still is, Chinese territory. Soon after her entry into the UN the People's Republic made clear in a letter dated 8 March 1972 that: "The settlement of the questions of Hong Kong and Macau is entirely within China's sovereign right and does not at all fall under the category of 'colonial territories.' Consequently, they should not be included in the list of Colonial Territories covered by the Declaration on the Granting of Independence to Colonial Countries and Peoples." On more than one occasion China has said that the question of Hong Kong will be dealt with "when conditions are ripe." In this way the Chinese Government has reserved the right to act before 1997 or even after it. After all, if in Chinese eyes Hong Kong has always been part of China and conditions are not "ripe" in 1997 then China would not lose any face by allowing the *status quo* to remain. This is mere speculation of course, as it must be, but it brings out the crucial point: the key to Hong Kong's future lies in Peking.

the constitution

Meanwhile, the present is effectively in the hands of the Hong Kong government and big business. The formal, constitutional position can be quickly outlined (for a comprehensive discussion, see the chapters by J. Rear in Hopkins (ed), *Hong Kong: The Industrial Colony*, OUP, 1971).

Hong Kong has no representative government. Responsibility for its government is vested in the Governor who is appointed by the British Foreign Secretary. He and the civil service he commands are responsible in law to the British Crown and not to the people of Hong Kong, who have no constitutional power to remove them from office. The legislature consists of the Governor acting by and with the advice and consent of a


CHINA
5 miles
New Territories
Kowloon
Lantao Island
HONG KONG

small Legislative Council, which is composed of the Governor, who is its President, fourteen of the top civil servants and fifteen "Unofficial Members" appointed by the Governor on the instructions of the Queen, which means, of course, the British Government. Because the Governor has both an original and a casting vote on the Council and the civil servants must vote for official policy, the Unofficial Members, who are appointed to represent the community, cannot vote down any Government measure put before them.

This pattern is repeated in the Executive Council which is the Governor's cabinet of advisers. The Council's principal function is to advise the Governor on major matters of policy and on proposed legislation ; although in practice he does so, he is not bound to follow its advice. The Council comprises six senior civil servants, the Commander of the British Force in the Colony, and eight Unofficial Members. Most of these Unofficial Members are not on the Legislative Council, but like the Unofficials on Legislative Council they are "community leaders" appointed by the Governor on the instructions, in effect, of the Secretary of State for Foreign and Commonwealth Affairs. None of the Unofficial Members of the two Councils is elected ; each holds his office at the pleasure of the Crown, although he is appointed for a specific term of years.

The administrative machinery for which the Governor is responsible consists of some forty Departments, each headed by a civil servant. Only a few of these departmental heads have seats in the Legislative Council. The activities of the Departments are coordinated by the Colonial Secretariat, while planning and policy at the highest level is the responsibility of six senior civil servants of Secretary rank, headed by the Colonial Secretary. There is no nonsense about democracy in Hong Kong. There never has been. The institutions of colonial government remain firmly in a nineteenth century mould.

The only semi-elected body in the Colony is the Urban Council. This has twenty four members, twelve appointed and twelve elected. There are formally twenty three categories of people entitled to vote, but obviously many of these categories overlap. Broadly, the vote is restricted to jurors, salaried tax payers, businessmen, members of the public service and local defence forces, professional people and those with certain educational qualifications. Typically, the exact number of potential voters is not known. Some 34,000 voters are registered and in 1975 only 10,000 actually voted. This "apathy" derives in no small part from the fact that the Council's functions and powers are extremely limited ; its main responsibilities being public health and hygiene, the maintenance of recreational and cultural facilities, and the naming of streets. Even so, this powerless and only partially elected body represents the sum total of concessions to democracy in Hong Kong.

The formal constitutional position of the Colony provides a classic framework within which a civil service elite takes decisions for a dependent and unfranchised population. Two further developments ensure that these decisions operate in a particular direction.

a city state

First, there is the degree of independence which the Hong Kong Government has achieved from Westminster. In strict constitutional terms the British Government, either by Act of Parliament applying to the Colony or by Order in Council, may legislate for the Colony on any matter. Moreover, through the exercise of the royal prerogative, it may, on the advice of the Foreign and Commonwealth Office's legal advisers, secure the disallowance of any local Ordinance. In practice, the Hong Kong Government has achieved greater and greater autonomy in recent years. Day-to-day administration, which has the greatest impact upon the lives of the people, is naturally solely a matter for local civil servants. However, up to 1967 the Governor was required to submit to the Secretary of State an annual return giving a complete coverage of the state of the Colony. But in

1967 this requirement was revoked and instead the Foreign Secretary is obliged to receive no more than a copy of the *Annual Report,* a glossy public relations compilation for general consumption, and the Minutes of the Executive and Legislative Councils. Little of the darker side of life in Hong Kong appears in these publications.

More significantly, the Colony has become increasingly free of financial control. In 1948 Hong Kong was released from Treasury surveillance and given a large measure of autonomy over its own finances, although the Secretary of State retained control over the Estimates and supplementary provisions. In 1958 this control too was relaxed so that the Colony became virtually independent of Whitehall surveillance over its internal expenditure. Nonetheless, as both a dependent territory and a member of the sterling area Hong Kong was required to keep its official reserves and the greater part of the reserves of the banking system in the form of sterling. About 99 per cent of the Colony's reserves were therefore held in London. But the devaluation of the pound in 1967 made it clear that the old relationship with the pound was no longer appropriate to Hong Kong's stronger economic position. In July 1972 the exchange value of the Hong Kong dollar was fixed in terms of the US dollar and not sterling. When the Basle Agreement expired in September 1973 the private Hong Kong banks decided to make a quick break out of sterling and sold heavily, perhaps as much as £200 million altogether (*Financial Times,* 4 February 1974). The British Government was furious at what the *Sunday Times* (16 March 1973) called a "startling and unexpected threat to the pound," but there was little it could do about a *fait accompli.* The current arrangement between London and Hong Kong allowed the proportion of the official reserves held in sterling to drop to 70 per cent in April 1974 and the proportion has been further reduced since then. In November 1974 the Hong Kong dollar was floated. In trade matters too the Hong Kong Government has developed an independent touch, having its own representatives to deal with GATT, UNCTAD, the EEC, and major trading partners. Some of these developments are desirable and necessary. But the net result of this loosening of ties with Britain, based partly on Foreign Office indifference and partly on Hong Kong's substantial position in world trade, is that to a very high degree the Hong Kong Government now acts as a sovereign city state—and a powerful one at that. As the *Far Eastern Economic Review* (24 January 1975) cynically but accurately remarked: "Governments all over the world are under pressure. In Hong Kong, a colonial regime is in the enviable position of enjoying the fruits of autonomy, free from the challenge of elections or of a parliamentary opposition." The result is that far too many civil servants at all grades are afflicted with arrogance and complacency—a belief that "the system works" and that, with slight adjustments, all is for the best in the best of all possible worlds.

a class regime

These attitudes are reinforced and renewed by the dominant role which big business plays in the government of the Colony. Only the wealthy can afford to serve on the Executive and Legislative Councils. There is no payment for service and, although the legislature meets only on one afternoon a fortnight, and the Executive Council once a week, the committee work can be time consuming. Most Unofficial Members of the Councils are bankers, merchants or industrialists. There are one or two professional people but no-one from the Hong Kong working class. In 1975 there were two people who served on both Councils and another four members of the Executive Council who were past members of the Legislative Council. Here indeed is a tightly knit group of politically motivated men. Just how tightly knit there is not space enough to detail here, but one or two examples must serve.

The often repeated saying that "Hong Kong is run by the Jockey Club, the Hongkong and Shanghai Bank, Jardines, and the Governor—in that order" still

contains much truth. The Royal Hong Kong Jockey Club has a monopoly of lawful gambling in the Colony but does not publish detailed accounts. As John Rear has noted: "It is difficult not to think that anywhere else but in Hong Kong the Jockey Club would have been forced to account more openly for the revenue it receives from its monopoly, which is virtually a licence to print money" (Hopkins, *op cit*). There were two stewards of this exclusive club in the Legislative Council in 1975.

The Hongkong and Shanghai Banking Corporation is the nearest thing in Hong Kong to a central bank. It issues about 90 per cent of the currency in circulation, operates a complex network of branches and subsidiaries all over the world, and in 1971 was ranked seventy ninth among the top three hundred commercial banks in the world. In 1959 it acquired another Hong Kong note-issuing bank, the Mercantile Bank Ltd. In 1965 it acquired a controlling interest in the Hang Seng Bank, the largest private Chinese bank in Hong Kong. In September 1975 it gained effective control of Hutchison International Ltd, one of the largest trading firms in the Colony. The bank also owns the largest foreign bank in the Middle East, the British Bank of the Middle East, and a 40 per cent stake in the World-Wide (Shipping) Ltd, probably the largest shipping company in the world (*Fortune,* February 1973). The chairman of the Hongkong and Shanghai Banking Corporation is a member of the Executive Council, while two directors of the bank and the general manager of the Hang Seng Bank are members of the Legislative Council.

The bank also has a large holding in Jardine, Matheson and Co Ltd. William Jardine and James Matheson were two of the original opium smugglers ; they were enterprising enough in 1829 to introduce the first opium clipper ship, and so made massive fortunes out of the increasing speed and efficiency of their operations. Today, their company has a finger in almost every Hong Kong pie. The chief holders of power in the Jardine, Matheson empire are the Keswick family, bankers in the City of London and prominent witnesses before the Bank Rate Tribunal, 1957. It was William Keswick, part time director of the Bank of England, who cabled the Hong Kong company advising it to sell its Gilt Edged holdings. "Again, this is anti-British and derogatory to Sterling but, on balance, if one is free to do so, it makes sense to me" he cabled (Paul Ferris, *The City*).

In 1973 at the height of the stock exchange boom in Hong Kong the Jardine group had a market value of £5,000 million. Its main subsidiary, the Hongkong Land Co Ltd, was then, in terms of market capitalisation, temporarily the largest property company in the world and had a higher market value (but not real assets) than all major UK property companies put together. Its properties in Hong Kong's central district constitute one of the world's most valuable real estate complexes. In 1971 the chairman of Jardines held eighty seven directorships (*Fortune,* November 1971). He is currently also chairman of Indo-China Steam Navigation, Hongkong Tramways, Star Ferry Company, Hong Kong and Kowloon Wharf and Godown, Hong Kong Security, Container Services Ltd, Lombard Pensions Management, and several others. In addition, he is deputy chairman of the Hong Kong Aircraft Engineering Co, and his directorships include the Hongkong and Shanghai Bank, the Dairy Farm, Ice and Cold Storage Co, and Rediffusion Television Ltd. In all, there are fifteen companies in Hong Kong which have Jardines' officials as chairmen or effective heads, regardless of Jardines' actual holding in the firm. Wherever there is money to be made, whether through the fixing of insurance rates, securing public utility contracts, dealing in property, trading with China, expanding containerisation facilities, or shipping oil, Jardines is invariably present.

David Newbigging, the present chairman of Jardines, is not a member of either the Legislative or Executive Councils. This is unusual, for the company has normally had someone there since David Jardine in 1850 became the first Unofficial Member of the legislature. However, apart from

his fellow directors of the Hongkong and Shanghai Bank who are already there, the Legislative Council contains a fellow director of Dairy Farm and the chairman of the Hong Kong Aircraft Engineering Co. Another director of Dairy Farm sits on the Executive Council, as does a co-director of Rediffusion Television Ltd. John Swire and Sons (HK) Ltd, the only conglomerate which rivals Jardines in the scope of its activities, does have its managing director on the Legislative Council. Needless to say, a director of several Swire companies sits on the Executive Council.

These illustrations only touch the surface of the manifold social and business links within the narrow circle which constitutes the Government's chief source of advice and consent.

The flavour of the advice certain members give to the Government can be gained from the issue of child labour—one on which the vigour of world wide criticism of existing practices might be thought to have tempered their views. In 1970 Mr T. K. Ann, textile manufacturer and Unofficial Member of the Legislative Council, suggested that one remedy for the prevailing shortage of labour would be to introduce legislation to allow children aged twelve to fourteen to work in industry. "Moreover" he added "social problems that may arise from too many street loiterers due to shortage of secondary school places will be mitigated" (*South China Morning Post,* 27 October 1970). Mr Ann is currently (1975) a member of the Executive Council, the Governor's "Cabinet," and chairman of the Hong Kong Training Council which advises the administration on the training of labour. This concern for twelve to fourteen year olds was taken up by Mr Wilson Wang in the Legislative Council on 14 November 1973. He spoke feelingly of their plight as, due to a shortage of secondary school places, these children were pushed into a life of crime on the streets. Among his suggested remedies was that they should be allowed to work in industry. The reply of Mr Li fook-kow, the Colony's Secretary for Social Services, is also worth quoting. He pointed out that children under fourteen were already legally entitled to work in "commerce, agriculture, fishing and so on and this I think largely meets my honourable Friend, Mr Wang's point" (*Hong Kong Hansard,* 1973-4, p. 162). Incidentally Mr Li comes from a well known banking family in Hong Kong which has given much public service to the Colony. His brother Li fook-wo, director and chief manager of the Bank of East Asia and steward of the Jockey Club, is an Unofficial Member of the Legislative Council.

This pattern of wealth and position within the central institutions of government is largely repeated in the composition of the very large number of advisory boards and committees set up by the Government to enable it to "keep in touch with public opinion."

what consultation means

The way the system of consultation works can be illustrated by reference to the passage of labour legislation. Before such legislation is formally presented to the legislature it is the subject of intensive discussions inside the Government and of intensive consultation outside the Government. It is the practice to circulate legislative proposals for comment to employers' associations, such as the Federation of Hong Kong Industries, the Chinese Manufacturers' Association, the Hong Kong General Chamber of Commerce, and the Employers' Federation of Hong Kong. By contrast, it is not the practice to circulate draft proposals to the bodies to which large numbers of trade unions are affiliated—the Trade Union Council (TUC) and the Federation of Trade Unions (FTU). The official reason for excluding these bodies from the consultation process appears to be that the FTU is communist and therefore would not cooperate. Hence, the argument runs, fairness requires that drafts should not also be sent to the Nationalist, Kuomintang-inspired TUC, although one might have thought that a reasonable policy would have been to send copies to both groups and to leave the nature of their

response up to them (see England and Rear, *Chinese Labour Under British Rule*, OUP, 1975).

Draft proposals are, however, discussed by the Labour Advisory Board on which four trade unionists sit (two elected and two nominated by the Governor), along with four employers and the Commissioner of Labour who acts as chairman.

This Board represents the total sum of Hong Kong labour's involvement in the legislative process. The dominance of business interests in the community and the Government's desire to gain their approval means that labour legislation is painfully slow to emerge and, when it does so, is often in an emasculated form. Government by consensus really means by consent of the employers. For example, more generous provisions for paid holidays and sick pay were promised in 1968 but did not become law until 1973. It then became apparent that the delay had been caused by the employers resisting a proposed increase in sickness pay from half pay to the ILO recommended level of two thirds. In the end the employers' will prevailed.

the repression of civil rights

The people of Hong Kong do not have the vote. They have no representatives in the legislature. And their freedom of assembly is severely circumscribed. Any meeting in a public place requires the permission of the Commissioner of Police and applications for permission require seven days' notice. Spontaneous action is thereby ruled out. A public meeting or procession which is unlicensed constitutes an unlawful assembly and those taking part become liable to a maximum penalty of five years' imprisonment. Moreover, any public gathering of ten or more people may be prohibited or stopped by the Commissioner of Police (or his delegated agent) " if it appears to him to be necessary or expedient in the interests of public order." The Public Order Ordinance provides for a fine of HK$45,000 or three years' imprisonment for anyone who is found disregarding such an order. Trade unions in Hong Kong are legal—provided they are registered—but the law imposes severe restrictions upon them. The Public Order Ordinance, just mentioned, can obviously be used against demonstrations, pickets, and even ordinary meetings. The law of industrial conflict substantially prohibits picketing of any kind and the right to strike is subject to crushing restrictions. In addition, the civil law leaves individuals, ordinary workers and trade union officials alike, wide open to actions for a variety of torts (England and Rear, *op cit*). The *Rookes v Barnard* judgement of the House of Lords in 1964 still applies in the Colony, for example. Strict limitations are also placed upon the political activities of unions. They are not allowed to use their funds for " any political purpose whether within or without the Colony." Nor are they allowed to affiliate, except with the consent of the Governor in Council, to any organisation outside Hong Kong. Membership of a trade union is also restricted by law to persons " habitually engaged or employed in the relevant industry." Consequently, unions composed of workers in different trades or industries—" general " unions—are not permitted, unless they explicitly state in their rules each trade or occupation they seek to organise. The motive behind this law appears to be " divide and rule."

The aspirations of the Hong Kong worker cannot find expression through constitutional political channels. He has none. His trade unions are weak, fragmented, and in a legal straitjacket. His colonial masters have left him no other power than the threat which a dissatisfied labour force can pose to public order in a hot, densely populated city. And, having created this situation, this is what the colonial authorities most fear. Repression is therefore an integral part of the system. The riots of 1966 and 1967 are still fresh in the minds of senior officials. Since 1967 the police force has substantially increased. In 1975 its establishment was 19,114, amounting to 17 per cent of the total civil service establishment or one member of the force to every 226 of the population. In addition there are 7,000 part time members of the Royal Hong

Kong Auxiliary Police Force. Their basic powers are much wider than those of the United Kingdom police. Any police officer may arrest without warrant any person he reasonably suspects may be guilty of an offence ; further, he may enter on demand and search any place where any person to be arrested is thought to be present. Section 54 of the Police Ordinance further permits any policeman to stop, search, and if necessary arrest and detain anyone " who acts in a suspicious manner or whom he may suspect of having committed or of being about to commit or of intending to commit any offence " (Rear, in Hopkins, *op cit*). The Hong Kong police are armed. A special danger arises as police officers may exercise these powers in plain clothes. At least two people have been shot and killed while resisting detention by plain clothed police.

The courts too have wide powers of detention. The 1973 District Court (Amendments) Act cut the number of trials by jury, and increased the sentencing power of district court judges to seven years' imprisonment. As there is no shorthand record of district court proceedings and judges' notes are frequently incomplete, it is extremely difficult to bring an effective appeal against a verdict. One of Hong Kong's Supreme Court judges commented that " the administration of justice is viewed in this part of the world as of secondary importance and with contempt " (*The Times,* 9 November 1974). It should also be noted that judicial appointments in Hong Kong have until recent times always been made from among legal officers in the government service so that the judiciary is, in effect, a government department of which the head is the Chief Justice. With the exception of Supreme Court judges there is no formal guarantee that judicial officers will not be moved to some other post in the government service.

The normal, day-to-day powers of the police and courts are backed, should public order break down, by two other instruments. First, there are the Emergency Regulations which confer sweeping and comprehensive powers upon the Governor. Second, there are the British Armed Forces. As the official Hong Kong Government Report *Hong Kong 1975* declares: " The Armed Forces are stationed in Hong Kong to assist the government in maintaining security and stability." It is for this that the British tax payer is currently paying £40 million a year. No-one, simply no-one, believes that these forces would have any value if the Chinese Army attacked the Colony. Britain's largest overseas garrison is essentially part of the muscle for a businessman's regime.

what does Britain gain ?

What does Britain gain from possession of this Colony, apart from a bad reputation ? Traditionally it has been a centre for British trade with China and East Asia. Since 1949 that role has not been a major one, yet the potential for trade with China today is greater than ever. To have a foothold in China with banking, insurance, shipping, and legal services all in British hands is extremely useful, and may become more so. (The Colony's major British banks, the Hongkong and Shanghai and the Chartered, are the only Western banks to have offices in China—at Shanghai.)

But Britain's major economic gain in the post-war world has been the Colony's vast budget surpluses which were obliged to be remitted to London. Money which should have been spent on housing, education, and social services in Hong Kong has been used to bolster the United Kingdom's reserves and support the pound sterling. Rarely has exploitation of a colony by the metropolitan power been so direct. In the 1960s the Hong Kong reserves in London represented between one quarter and one third of Britain's gold and foreign exchange reserves. The disbandment of the sterling area has brought about a considerable reduction in the proportion of Hong Kong money held in London, but it is still believed to be in the region of £350 million.

While the British Government, and people, have gained in one way, private

enterprise has used the free market in capital in its own inimitable fashion. First, the Colony has been a bolt hole for British capital in time of crisis, as the Bank Rate Tribunal of 1957 revealed. Ten years later the flight of capital to Hong Kong was a major factor in the 1967 devaluation of the pound. Second, it has been a major profit centre for the British owned banks and companies like Jardine and Matheson, Swire (Holdings), Wheelock and Marden, Dodwell, and Gilman. Through a complex network of holdings in banking, shipping, textiles, public utilities, insurance, and currency and property speculation a handsome return has been received in the City of London. "In effect, Hong Kong has functioned like an off shore island of the UK, where taxation is less than half of what it is in the metropolis, tax evasion is simple, wages are rock bottom, growth double, treble and even quadruple what the motherland can show and there are no such problems as exchange controls and such like. In addition, the Colony was in the centre of what was the fastest growing economic area in the world for the best part of a decade, Southeast Asia" (*Hong Kong: A Case to Answer*). A number of British (and American) companies have made Hong Kong a centre for their marketing and distribution arrangements in the area.

Economics apart, the Colony still has other uses. In certain scenarios it could be a bargaining counter in negotiations with Japan, the USSR, and the USA, as well as China. Immediately, it provides Britain with the best possible intelligence and listening post for China watchers, an activity that ranks as one of Hong Kong's minor industries. It also enables the UK Government to do favours for the United States—such as allowing its servicemen to use it for "rest and recreation" during the Vietnam War, or providing harbour facilities for the Pacific Fleet. But as a British military base its significance today is practically nil, beyond enabling the Army to promise new recruits the opportunity to see "the Far East."

3. economic and social conditions

Mr Henry Keswick, then chairman of Jardine Matheson, now owner of *The Spectator,* once said that Hong Kong is a place where " crude capitalism works " (*The Times*, 23 August 1974). Only those who have lived there know how crude capitalism can be and for whom it works. One hot humid afternoon in the old walled city in Kowloon I saw a child, aged about nine, chained by his ankle to a wall. The iron fetter had rubbed a groove in his flesh ; the chain—about six feet long—allowed him a little movement. His parents were at work and the boy was " touched " in the head. It was the only thing that could be done with him, we were told. That afternoon, among the open sewers and the underground workshops, with the heroin addicts lying in dark alleyways, it was hard to believe capitalism was " working " for that boy.

Yet, a belief that " the system works " is asserted daily in the speeches of businessmen and civil servants. It is tempting to say that this is because it does—for them ; but they have a case and, in a nutshell, it is this. In a world obsessed by the need for economic growth Hong Kong is an example of success. It has created a great export trade in manufactures out of next to nothing, accepted refugees by the million yet achieved full employment, and raised wages to the second highest in Asia after Japan. Electricity consumption increased seven and a half times between 1956 and 1971 and government revenue increased six times over. Just between 1964 and 1971 registered motor vehicles almost doubled in numbers and telephone installations trebled. By 1971 there were seventeen telephones for every hundred people and installations were growing at the rate of 20 per cent a year. All available indices of economic growth far outstrip the rate of population increase (England and Rear, *op cit*). This spectacular progress owes nothing to protectionism or centralised planning. Faith in the free workings of a market economy has created conditions in which competitive capitalism has been able to blossom and swiftly bear fruit.

There is strength in this argument but it fatally ignores two things: the peculiar circumstances which made such growth possible ; and the costs incurred in human drudgery and suffering to achieve such statistics of " growth." Some recent history will make this clear.

recent history

Between 1945 and 1949, 1.3 million people entered Hong Kong from China. A vast reservoir of labour, skilled and unskilled, became available for employment. In addition to a very large proportion of under-employed, a quarter of the labour force was estimated to be completely without work in 1950. But among these refugees were some of the most experienced and ruthless capitalists in China.

In October 1947 *Fortune* magazine estimated that as much as US$50 million of Chinese wealth had taken refuge in Hong Kong and that 228 Shanghai concerns had shifted their registration to the Colony. They injected comparatively more capital, more skilled labour, more knowledge of markets, more entrepreneurial flair, and more sheer industrial expertise than probably any non-industrial state has received in modern times, including Israel. And awaiting these entrepreneurs was a highly developed commercial infrastructure of banks, insurance houses, import/export firms, docks, warehouses, and a business community with a century of trading experience behind it. And communist China supplied food and basic raw materials at cheap rates. The peculiar circumstances were peculiar indeed.

The outbreak of the Korean War, which resulted in the United Nations embargo on essential materials trade with China, practically severed the traditional re-export market on which Hong Kong had depended. But the new industrialists were already set upon a familiar and successful path—manufacturing raw materials into finished goods for export. The 1950s were therefore years of rapid industrial expansion which soaked up the huge reservoir of unemployed labour. Unemployment was down to 12.2 per cent in 1954 and 1.7 per cent in 1961. Yet the pool of

cheap labour was so vast during those years that official government statistics show that an unskilled labourer could be hired for a daily wage of 3/9d (19p) during the whole period 1948-62. Throughout these years too the new commercial and industrial elite began to move into the organs of government.

It is possible to view the 1950s as the period of " take off " when the provision of jobs was more important than anything else. The 1960s, however, were unequivocally a period of intense exploitation. Economic and political power united to ensure that capital grew fat at the expense of labour. Studies of the distribution of income show that labour's share of value added in manufacturing actually declined in a period of rapid growth ; and that this was not due to an intensification of capital investment but to a much greater return on capital. One economist has calculated that labour's share fell from around 64 per cent in 1960 to between 44 and 47 per cent in 1967 (N. C. Owen in Hopkins, *op cit*). Glassburner and Riedel do not agree that it fell so repidly but agree that it fell (*Economic Record,* volume 48, March 1972).

At the same time various surveys showed that even by Asian standards Hong Kong employees spent appallingly long hours at work. A survey of Resettlement estate dwellers carried out by the Sociology Department of the University of Hong Kong in the summer of 1968 revealed that the average income of the heads of households was HK$332 (about £22) per month. 87 per cent worked all Saturdays and 73 per cent worked all Sundays. Only 12 per cent worked eight hours or less per day and 42 per cent worked eleven hours or more each day. When travel to work was taken into account, the predominant picture was that the head of the household was absent from home twelve hours a day, seven days a week. This picture is supplemented by research conducted by Dr R. Mitchell. This shows that in 1968 Hong Kong workers had the longest working day and the longest working week of city dwellers in South East Asia. 52 per cent worked ten hours a day or more compared with 20 per cent of Singapore's workers, and 58 per cent in Hong Kong worked seven days a week compared with 21 per cent in Singapore. Mitchell's findings are supported by a survey of workers in 182 shops in Nathan Road in Kowloon which was carried out in 1969. Half of these shopworkers worked twelve or more hours a day and only 8 per cent worked for nine hours or less. Over 80 per cent worked seven days a week and less than a fifth had more than two days' holiday a month. It appeared that the majority of shopworkers spent practically all their waking hours at work. (Further details and references in England and Rear, *op cit.*)

At the same time government protection for those at work was deplorable. Apart from an extremely inadequate system of workmen's compensation for injury, first introduced in 1953, such legislation as there was applied only to the industrial sector, and then excluded certain grades of workers. Consequently, over 60 per cent of the labour force was totally unprotected by restrictions on hours of work, holidays, rest periods or sickness allowances. The protection afforded to industrial workers was indeed minimal.

There was no minimum wage and no limit on working hours for men, but women and young persons were restricted to sixty hours a week. The entitlement to sick pay amounted to twelve half days a year. Industrial safety regulations were primitive. Among further innumerable omissions it might be noted that there was no protection in law for wages, no provision for maternity leave, no redundancy pay, and almost no job protection.

At the same time expenditure on social welfare, both directly and via subventions to voluntary organisations, accounted for only 1 per cent of total government expenditure, less than the annual expenditure on stores and less than one third the sum spent annually on the two universities (Owen, *op cit*). An extremely limited form of public assistance provided " dry rations " for the destitute. Yet these were the years when there were vast budget surpluses, most of which were remitted to

earn interest in London and to prop up the pound. Social security provisions in the Colony were said by the Working Party on Social Security in 1967 to be "conspicuous by their almost total absence," even when comparisons were made with other countries in South East Asia and the Far East.

The disgraceful record of the 1960s needs to be underlined because it illustrates a basic fact about the power elite in Hong Kong: their vast disregard for the human consequences of their kind of "success." The booming 1960s was a time when much could have been done to improve conditions. It was not done because, in the eyes of the rulers, nothing needed to be done ; the system was working beautifully without "interference": the indices of growth all proved it. The existence of economic growth eliminated the need for social development. This smug regard for the efficacy of "crude capitalism" was temporarily disturbed by the 1967 riots. The threat which they posed, not only to public order but to profits, galvanised the Government into action and made the employers receptive to certain reforms.

The Labour Department, in particular, has been able to push through a considerable programme. Among the most important items have been an extension of legal protection to non-industrial as well as industrial workers so that all are now entitled to improved sickness allowance and holidays ; the introduction of unpaid maternity leave ; an entitlement for all male workers to take one rest day a week (unpaid) ; the establishment of redundancy payments ; an overhaul of workmen's compensation ; safeguards against employers absconding without paying wages due ; and the progressive reduction of working hours for women and young persons to 48 hours a week. In addition, a Labour Tribunal has been established ; some protection against victimisation accorded to individual trade unionists ; and conciliation and arbitration procedures for settling disputes established on a firmer basis. Yet this impressive list merely indicates the abdication of governmental responsibility in this field until the 1967 riots jolted the rulers into action. And, in spite of the lost ground made up, the position in the Colony today remains deplorable.

working conditions

Take, for example, hours of work. In February 1970 the Government brought in the right of all manual workers to take four rest days a month ; that is to say, in 1970 the Government decided that men need not work seven days a week. Yet the 1971 Census showed that of the persons aged ten years and over who were engaged in productive work for more than fifteen hours during the seven days before the Census, almost half of them worked more than 54 hours a week. Almost a quarter (23 per cent) worked 55-64 hours, 13.5 per cent 65-74 hours, 7.7 per cent 75-84 hours, and 3.3 per cent worked for 85 hours or longer. This means, for example, that 174,439 workers were working at least 75 hours a week, while 13,792 were working at least 105 hours a week. One reason for this is that the rest days are unpaid so that many workers cannot afford to take them. In a number of cases workers not only lose a day's pay but they also lose a "good attendance" bonus (a common incentive in the textile industry) if they take their rest days. However, life is not all work. Since 1 January 1974, workers have had a statutory entitlement to six separate days holiday a year. And these are holidays with pay ; provided they have been in continuous employment for three months before each statutory holiday.

Another example of generosity is sick pay. After four years' delay a revised scheme came into effect on 1 July 1973. A worker qualifies for this if he has worked for his employer under a continuous contract for not less than three months immediately preceding a "sickness day." Then, for every month he has worked he accumulates a day's sickness pay, up to a maximum of twenty four days. But if he falls sick, the number of days on which he is paid the allowance is deducted from his accumulated total of sickness days. So to qualify for the

maximum allowance of twenty four days a worker has to be continuously employed with the same employer for two years and three months. If he goes sick for fourteen days after working for eleven counting months he only gets the allowance on eleven days and when he returns to work he must start building up his entitlement of sickness days from scratch. No allowance is payable for an absence of less than four consecutive days or if a medical certificate is not produced. The allowance itself is at the rate of half pay ; not the two thirds level recommended by the ILO (England and Rear, *op cit*). The take up on the scheme is pathetically low, and is it any wonder ? But for the worker in pain there is always the dope peddlar with his promises of quick relief. At least one in every ten working males is a drug addict. The rate of TB infection is amongst the highest in the world.

There is still no minimum wage, and no restrictions on the hours of work of adult males. In the absence of strong trade unions the abstention of the law from these areas can be construed as government encouragement of sweated labour.

In 1940 the Trade Boards Ordinance was passed which gives the Governor power to set up wage fixing machinery in certain trades where he believes wages to be " unreasonably low." The Ordinance has never been activated. It does, however, have a use in that it enables the Hong Kong Government to claim that ILO Convention No 26, which calls for the establishment of wage fixing machinery, has been applied in Hong Kong without modification.

Mass redundancies and lay offs are an integral part of the system, yet there is no provision for fall back pay and no protection against unfair dismissal. A bill to protect the conditions of apprentices has been delayed by the employers on the Executive Council. Maternity leave remains unpaid. And hundreds of thousands of self-employed, outworkers, and casual day labourers are totally without any legal protection at all. It is a striking fact that in Hong Kong most of the case loads of social workers are made up of people who are in work.

Finally, the status of the Hong Kong worker as a mere expendable factor of production is emphasised in the daily toll of death and disablement. The total number of reported occupational accidents in 1971 was 27,192 ; in 1974 it was 31,014. In 1971 there were 81 accidents a day ; in 1974 there were 86. The Government's approach to the problem has been weak ; the courts have been irresponsible in the low levels of fines imposed upon guilty employers ; and the employers have merely ignored it. As one of them told a reporter: " no factory owner in Hong Kong likes to see profits sliced. We employ workers who can handle the machines properly and we don't want to spend our time sending them to these courses. After all, we pay them for the job " (*Hong Kong Standard*, 26 February 1973). In 1973 power driven machinery killed thirteen people and caused 5,994 non-fatal accidents. A comparison of Hong Kong health and safety legislation with that of the United Kingdom reveals that the laws are crude and omit a number of particularly important provisions (England and Rear, *op cit*). Such legislation as there is is confined to industry. Outside industry there are no regulations governing safety, hygiene, and the physical conditions of employment. Finally, there is no contributory insurance scheme to provide compensation for injury (just as there is no contributory insurance against sickness). Instead, compensation is available under a system of workmen's compensation — a system stunted in concept and riddled with anomalies. It was first adopted in Hong Kong seven years after the post-war Labour Government had abandoned such a system in the United Kingdom and replaced it with national insurance.

social welfare

Since the 1967 Report on Social Security, and the riots of that year, there have been a number of improvements in provision. Indeed, government expenditure on social welfare rose from HK$26.3 mil-

lion in 1968-9 to HK$144.1 million in 1973-4. Yet this latter figure was still less than the HK$162.0 million spent on architectural and electrical and mechanical engineering offices. Social welfare spending now represents 2.75 per cent of total government expenditure. Some of the increase is due to inflation ; but most is due to an expansion in the range and quality of services provided. In 1973 a five year plan for the development of social welfare was adopted and such an impetus must of course be welcomed. But it should be remembered that there is enormous scope for improvement. For example, since 1971 public assistance, in a limited form, has been put on a cash basis, and since 1973 special allowances have been provided to those regarded as "severely disabled," and to the "elderly infirm" who must be over 75 years old. Nearly 54,000 people received these disability and infirmity allowances in 1974 and another 40,267 received public assistance. How did these people, nearly 100,000 of them, manage before these allowances existed ?

These allowances are also an example of the social welfare philosophy the Hong Kong Government is developing. It helps what it calls "vulnerable groups": in other words, the deserving poor. As the official report *Hong Kong 1975* observes: "Hong Kong is not, in the full sense, a welfare state. People are expected to stand on their own feet, a principle which accords with their proud and independent spirit." In practice, this means that apart from workmen's compensation for occupational injuries there is no specific legislation in Hong Kong applying ILO Convention No 102 of 1952 (Social Security (Minimum Standards)). This Convention lays down standards for medical care, sickness benefit, unemployment benefit, old age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit, and survivors' benefit.

Consequently, the Hong Kong worker today has no minimum wage, no unemployment benefit, no old age pension, and no sickness insurance. In addition, if the worker is female she receives no paid maternity leave, no help for large families, and no widow's pension. Moreover, if the worker is unemployed, but fit and aged between fifteen and fifty five, he does not qualify for public assistance. He is one of the undeserving poor ; one of the able bodied whose condition—in line with the Poor Law Amendment Act 1834 —must be made "less eligible." Only so can his moral fibre and "proud and independent spirit" be maintained. In an economy where rapid market fluctuations create a great deal of insecurity and irregular earnings, many families live on a knife edge so that sickness or injury, bereavement or old age, push them to extreme poverty. Meanwhile, the Government hides behind the cant of phrases about the people being expected "to stand on their own feet." In reality the individual worker stands alone and unprotected, a commodity upon which the capitalist may draw as the state of the market demands.

It is sometimes argued that charitable contributions from the wealthy in Hong Kong form a significant supplement to the welfare services. The conscience of the rich, however, is untroubled. The sums raised for the Community Chest—a centralised body for the collection of all charitable donations—are equivalent to no more than an increase of around 0.25 per cent in the tax rate on profits and salaries (*The Economist,* 19 July 1975).

wages

It is frequently stated that wages in Hong Kong are the second highest in Asia, only Japanese workers receiving more. Various surveys bear this out. For example, in May 1975 *Business Asia* published the results of a survey of remuneration in twelve regional countries. Hong Kong ranked after Australia and Japan. The survey showed that a mechanical engineer in Hong Kong takes home the equivalent of about 250 (devalued) pounds a month, including regular bonuses. A technical salesman earns £171, a lorry driver £118 and a skilled worker £95. The Hong Kong Government's Census and Statistics Department estimates that the average wage of an

industrial worker in March 1975 was £2.70 a day, including fringe benefits. Because of higher wage rates it is now commonly claimed in Hong Kong that the Colony is no longer competitive in basic manufacturing with Taiwan, the Philippines, South Korea, or Indonesia. There is truth in this claim and the picture sometimes presented in Britain of Hong Kong workers on starvation wages can be refuted with ease by the Hong Kong Government and employers. As previous pages have shown, the major problem in Hong Kong is not earnings but the miserable lack of protection against the vicissitudes of human existence: the Hong Kong worker needs a "social wage."

However, the picture of earnings is not as rosy as the Hong Kong Government and various surveys portray. In the first place, earnings quoted in surveys are generally the result of very long hours spent at work. Comparisons between countries are rarely quoted on an hourly basis. Secondly, the statistics on wages and earnings quoted by the Hong Kong Government are supplied voluntarily by the largest employers. These are generally the highest paying employers. Sixty per cent of the industrial labour force is employed in factories with fewer than 200 workers, and their wages do not keep pace with those in the big firms. A glimpse of the desperate position of many wage earners was provided by the 1971 Census which showed that there were 41,457 heads of household earning less than HK$200 (about £14 at that time) per month. The Government was reported in March 1974 to regard a family as "poor" if it had an income of less than HK$400 a month (R. Porter, *International Labour Review*, May 1975). Thirdly, the official statistics do not allow for lay offs, periods of unemployment, and short time working. The amount in the worker's pay packet can fluctuate considerably from week to week. There are 95,000 casual workers hired by the day or hour, or at particular seasons of the year, who constantly depend for work upon the whims and favours of others. Moreover, the cost of living has to be taken into account. Due to the stock market collapse, the drastic increase in the world price of oil and the world recession, the level of real wages has actually been falling in Hong Kong since March 1973, so that they are now back to 1970 levels. Finally, the basic fact which should never be lost sight of is that Hong Kong is *not* a "developing economy." It is a rich city state half the size of Greater London yet exporting more than the whole of India. But it is a political economy which ensures that "the worker gets not what he earns, or what the market forces in a so called *laissez faire* economy decide is a fair return for his labour; he gets what his masters deem surplus to their own requirements" (*Far Eastern Economic Review*, 25 March 1974).

education

Education in Hong Kong has five characteristics; it is neither free nor compulsory, it does not provide enough school places for all who need them, it is desperately competitive, and the system depends very heavily upon a large private sector which regards education as a business. Each of these characteristics clearly inter-relates with the other. In line with its individualistic philosophy the Government regards sending children to school as being the responsibility of the parents, and is reluctant to use compulsion for the same reasons that were advanced by the opponents of the UK Education Act, 1870. Some concession to the ideas of 1870 was made in 1971 when the Director of Education was given powers to enforce primary school attendance (up to the age of twelve) where parents appear to be *unnecessarily* withholding their children from school. But these powers "will be exercised by the Director only after a careful investigation of the family's circumstances and the needs of the child" (*Hong Kong 1975*). The Director has no power to enforce attendance over the age of twelve.

Nor has free education ever been accepted as a principle. Since September 1971 education has been free in all government maintained Chinese language primary schools and in the majority of

private primary schools which receive recurrent financial aid from the government. Outside this free sector 19 per cent of primary age pupils attend private fee paying schools, and all kindergartens and secondary schools charge fees.

Because of the characteristics of the educational system some 26-33,000 children aged between 12 and 14 are forced out of school and on to the labour market each year. Accordingly, in 1974 a White Paper on education set out the Government's plans for the next 10 years. The objective is to provide for every child, by 1979, 9 years' subsidised education, comprising 6 years in a primary school followed by 3 years of secondary education for children aged 12 to 14. The Government also hopes to provide sufficient subsidised places for 40 per cent of the 15 to 16 age group. These targets, however, " can only be attained if there is the fullest co-operation from private schools and agencies " (*Hong Kong 1975*).

This reliance on the private sector not only puts the Government's educational plans at risk but also provides the operators of these schools—some of them of a very dubious nature—with a guaranteed source of income as the Government " buys " places in them. A dependence upon the private sector of education became established in the post-war years as the Colony's child population went up by leaps and bounds. This policy, born of a desperate situation, has, however, continued to be the prevailing pattern long after the emergency has ceased. In spite of budget surpluses in every year except three since 1945, and an expansion in government revenue from HK$309 million in 1951-2 to HK$5,241 million in 1973-4, the provision of education has been incredibly slow, permitting much of its development to be in the hands of private speculators, as if children were plots of land or pieces of property. Indeed, in Hong Kong certain aspects of education fall quite easily into the category of Big Business. Some private schools registered with the Department of Education have been known to ask for public money to combat rising costs so as to preserve their profit margins. Every July, with almost monotonous regularity, many private schools, most of them primary, close their doors because their profits are dwindling, while in September others take their place. In 1969, 93 private schools closed. Between January and September 1970, 40 private schools (including twenty secondary) closed because of financial difficulties, while 120 new private schools had been registered. The Government was elated because this meant a net gain of 10,000 school places! But this number was much reduced by the end of 1970 as in November the closure of sixty more private schools was reported (*South China Morning Post*, 11 November 1970). Many of the closures occurred because of spiralling rents and the consequent squeezing of profit margins. The education of one in every five primary school pupils therefore rests upon the haphazard functioning of market forces. For younger and older pupils the dependence is even greater.

In March 1975 there were 151,456 children between the ages three to six attending kindergartens, all of them in the private sector as the government makes no provision for this age group. There were 694,570 pupils in primary schools, of whom 126,850 were in private schools. And in secondary schools there were 389,089 pupils, of whom 282,314 were in private schools. That is, 72 per cent of secondary education depends upon the buildings and staff of the private sector.

The Government relies so heavily on the private sector because education thereby costs the tax payer less. This, rather than the quality of education provided for children, has been its main consideration. A further illustration of this is provided by the parsimonious attitude it has adopted towards the supply of trained teachers. While the number of university graduates with professional teaching qualifications between 1959 and 1969 increased by 50 per cent (from 1,464 to 2,420), the number of untrained university graduates who were teaching increased by 84 per cent (from 2,899 to 5,338): one third of all primary school teachers and two thirds of all secondary

school teachers are untrained. Virtually anyone who has completed five years of secondary education may teach. It is not that there is a dearth of applicants for places at the Colony's three small teacher training colleges. The number of applicants in 1970 was so heavy that the Government, instead of devising a crash programme for these enthusiasts, promptly raised the entry requirements. In this field, as in so many others, the Government is grappling with problems today which are in part the product of its own past mistakes.

child labour

The much publicised problem of child labour in Hong Kong can only be understood in the light of the summaries already given about working conditions, social welfare, wages, and education. The educational system forces children aged twelve on to the labour market, and parents need the income these children can earn because of their own inherent poverty and insecurity.

Child labour, with minor restrictions, is quite legal in Hong Kong outside the industrial sector. The restrictions are that no girl under 12 may be employed in domestic service ; that no young person under 16 may be employed in the collection of rubbish ; that children under 14 may not work in bars or dance halls ; and that no child under 14 may work on any ship, except where only members of his own family are employed. Apart from these limitations the whole of the service sector is open to child labour and there are no restrictions on the employment of children as outworkers in their own homes. On the other hand, it is absolutely forbidden to employ any child under 14 in an industrial undertaking or in a specified dangerous trade.

How much child labour is there ? The Government does not collect statistics on this (and it would be difficult to do so) but the 1971 Census recorded that 35,925 children aged from 10 to 14 inclusive were " economically active " ; of whom 12,545 were boys and 23,380 were girls. (A further 8,432 boys and 12,821 girls in the same age group were recorded as being neither at work nor at school.) In addition, at the time of the Census, there were 23,234 children aged 6 to 9 inclusive who were not at school. Presumably some of these were in fact at work. Table 25 of the *Census Report 1971* provides information on the employment undertaken by the 10 to 14 year olds, and also indicates their level of educational attainment. That table is reproduced on page 20. Given the nature of certain industries listed it is extremely difficult to avoid the conclusion that large numbers of children were being employed illegally in industry, even when it is remembered that the 14 year olds in the table are quite legally employed. The extent of illegal child labour is, of course, a controversial question. Since 1969 the Labour Department has been running special inspection campaigns to check its incidence and there has been a steady decrease over the years. In 1969 raids on 1,708 factories resulted in more than 400 factory owners being prosecuted in respect of 1,387 children, 52 of whom were aged 10 years or under and the majority of whom were paid between HK$2 and HK$4 for working a 9 to 11 hour day. In July 1972 920 factories were visited and 89 children were found working in 65 of them. In December 1973 visits to over 4,700 factories yielded only 36 children under fourteen. In March 1975 inspectors called on over 5,000 industrial undertakings and found only 11 children under fourteen in 11 different establishments. This represented 0.22 per cent of the workers employed in the establishments (*South China Morning Post*, 23 April 1975). Thus, the trend is clearly downward, helped partly by the Labour Department's campaigns, partly by the increased fines imposed on offenders in recent years—although these penalties are still not high enough—and certainly by the high levels of unemployment in the Colony over the past two years.

But any dispute over the illegal employment of children misses the main point: that a great deal of child labour is legal and, until major reforms are made in

education, social welfare and working conditions, many families will rely on the income earned by children to keep their heads above water.

housing

"When the worker returns home from long hours in the shop or factory he returns to noise, heat, stench, gross overcrowding and an almost total absence of privacy" (England and Rear, *op cit*). The Colony's housing problem is vast. The shortage of building land and a lack of long term planning result in extraordinary high densities. In 1971 Hong Kong Island had an average of 33,157 people to the square mile. The district of Wanchai had 293,283, and the district

EMPLOYMENT OF 10-14 YEAR OLDS BY INDUSTRY AND LEVEL OF EDUCATIONAL ATTAINMENT

		no educ.	priv. tutor	primary	secondary	total
agriculure,	male	15	—	113	13	141
forestry	female	17	—	162	8	187
	total					328
fishing	male	677	1	416	2	1,096
	female	774	1	180	1	956
	total					2,052
mining,	male	7	—	786	224	1,017
quarrying	female	34	—	806	161	1,001
	total					2,018
manuf.	male	49	4	1,990	314	2,357
textiles	female	311	5	9,033	743	10,092
	total					12,449
manuf.						
chemicals,	male	111	1	1,842	248	2,202
metals, plastic	female	574	7	4,745	366	5,692
products	total					7,894
manuf.	male	68	6	1,378	231	1,683
others	female	74	4	1,457	129	1,664
	total					3,347
construction,	male	49	2	1,133	205	1,389
engineering	female	78	2	2,153	293	2,526
	total					3,915
utilities	male	1	—	22	9	32
	female	2	—	11	—	13
	total					45
commerce	male	48	1	664	156	869
	female	43	1	418	97	559
	total					1,428
transport,	male	58	—	254	39	351
communi-						
cations	female	50	—	173	3	226
	total					577
services	male	91	—	1,163	154	1,408
	female	53	3	353	55	464
	total					1,872
job seekers	male	—	—	—	—	—
	female	—	—	—	—	—
	total					—
totals	male	1,174	15	9,761	1,595	12,545
	female	2,010	23	19,491	1,856	23,380
	total	3,184	38	29,252	3,451	35,925

Source: *Census Report 1971*, Table 25.

of Mong Kok in Kowloon had 400,612—more than nine times greater than the density of Tokyo City. Over 230,000 squatters live on the hillsides and rooftops. The 1971 Census shows that among the "economically active population" 623,531 lived in a "room or cubicle"; 53,896 lived in a "temporary structure"; 27,260 lived in a "verandah, cockloft, basement, storeroom, corridor, etc."; 13,775 lived in a "bed space"; 9,156 in a "roof shack"; and 1,246 in a "derelict boat." In 5,350 dwellings there were ten or more persons per room or cubicle, and later that year the *South China Morning Post* (9 December 1971) reported that 50 people were living in one flat 15 feet by 35. In September 1975 engineers investigating underground cables discovered a man who had set up home beneath a man-hole cover in Nathan Road, Kowloon's main thoroughfare (*Hong Kong Standard*, 14 September 1975).

On Christmas Day 1953 a huge fire made 50,000 squatters homeless. This forced the Government into a long term massive public housing scheme which by the end of 1975 had resettled 1.2 million people —30 per cent of the population. But this extraordinary achievement in terms of quantity has been marred by the Government's characteristic disregard for human dignity. For ten years, up to 1964, the Government persisted with its original, basic, emergency design of resettlement.

This consisted of an estate of 20 buildings, each of 6, 7 or 8 storeys but without lifts. Accommodation was provided in one room flats on an allowance of 24 square feet per person—twice the area of a grave. The cubicles for personal washing had no doors and no fitments apart from a drain, so water from a communal tap had to be carried to them in buckets; the lavatories too had no doors, and consisted of an open horizontal trench automatically flushed every 15 minutes. Totally inadequate provision was made for education, recreation or policing. An average of 44,000 people lived in each estate. This indeed is what the Hammonds, in a different context, referred to as "the barracks of an industry." Half a million people live in these conditions, a result of deliberate Government planning. Later resettlement estates, starting in 1964, had private water taps and balconies, a lavatory between each two rooms, electrical fittings and refuse chutes. The latest version has larger rooms to allow the new allocation of 35 square feet per person.

No-one can deny that housing the poor in Hong Kong is a task to daunt even the bravest. But the Government's much vaunted efforts are seen more and more by outside observers as the building of cheap slums. Ironically, in 1972 the Commonwealth Conference on Development and Human Ecology was held in Hong Kong. The delegates went on a tour of the resettlement estates and were "incredulous and shocked by the government slums" (*South China Morning Post*, 27 April 1972). The newspaper commented: "Hong Kong has a reputation abroad for being a pioneer in providing low cost housing on a massive scale, but the delegates were appalled to see the human cost of such a crash building programme." In the view of another expert, with long experience of conditions in the Colony, the resettlement programme "has not been based primarily upon the need to assist low income families to obtain decent housing. It has been rather a means of squatter control, devised in order to free land needed for permanent development and to reduce the risk of fires in squatter camps" (D. J. Dwyer, in Dwyer, ed, *Asian Urbanization: A Hong Kong Casebook*, Hong Kong University Press, 1971).

the businessman knows best

These harsh and unimaginative social policies are the inevitable accompaniment of the Government's explicit philosophy that the private entrepreneur knows better than anyone else what is best for him, his business, and his workers. The Government devotes itself therefore to providing the circumstances in which business can flourish.

There is no income tax as such in Hong

Kong. Only earnings and profits which arise in Hong Kong are taxed. The maximum rate of tax on salaries is 15 per cent—paid by only 140,000 people. Dividends are not taxed and there is no capital gains tax. Estate duties are low and easily avoided. From April 1966 to April 1975 the standard rate of taxation on corporate profits was also a mere 15 per cent. Since then it has been raised to 16½ per cent. These tax levels are amongst the lowest in Asia, and are made even more attractive by the courts in Hong Kong ruling that when operations which give rise to profits are carried on outside Hong Kong they are not subject to Hong Kong taxes, even if those operations are controlled from Hong Kong and have not been taxed in any other country. *The Economist* (19 July 1975) believes it "quite possible that the administration loses HK$100 million a year because shipping charters are deliberately located outside Hong Kong." The journal claims that if the 1973-4 profits of one Hong Kong owned shipping company had been liable to Hong Kong tax the administration would have collected about HK$17 million, enough to increase its spending on education by 10 per cent. The banks, too, by locating their operations outside Hong Kong, have reduced their local tax burden from 15 to 8 per cent. Moreover, there are no exchange control restrictions on the movement of funds out of the Colony.

In 1974 the Hongkong and Shanghai Bank turned in "disclosed" profits of more than £25 million, an increase of 16 per cent over the previous year's 23 per cent rise. Shareholders received a 28 per cent increase in their (untaxed) dividends. The performance of Jardine Matheson and Co over the past five years is also impressive. In 1970 the company had 3,000 shareholders; today there are 30,000. Profits have grown 566 per cent from HK$38 million to HK$215 million. Gross assets are up from HK$285 million to HK$2,671 million and the dividend per share has increased 420 per cent (*The Times*, 18 August 1975). All this, of course, in the period when the stock exchange boomed and bust, when real wages remained static even according to official Government figures, when short time working has been endemic, and estimates of unemployment in the Colony range from 8 to 15 per cent. Meanwhile, the *Investors Chronicle* (10 October 1975) explains that Jardines is acquiring 53 per cent of Rennies Consolidated Holdings, one of South Africa's leading holding companies. This acquisition "should give a good boost to Jardines 1976 earnings."

Another way in which life is good for the entrepreneur in Hong Kong is the permissive nature of company law. Even after recent revisions to the law, which came into force in October 1975, private companies have largely a free hand in how they present their accounts. As for public companies, they are not required to give a breakdown of their sales and profits by product or by country; they need not disclose the source of their earnings or how many people they employ; and if they earn money outside Hong Kong they do not have to show how their total tax bill is worked out. Over the years the corruption and profiteering on the stockmarket have rivalled anything discovered in the Royal Hong Kong police (see, for example, *Far Eastern Economic Review*, 21 February 1975 and 18 April 1975). It was through the Hong Kong stock market that Slater Walker was able to carry out the deals that have led to police investigations in Singapore and Hong Kong. In 1972 when Mr Jim Slater visited the Far East he described Hong Kong as "my kind of town" (*Financial Times*, 27 October 1975).

4. why does China stand by?

The social conditions described in the previous section are the responsibility of the Hong Kong and United Kingdom Governments. But they are the lot of over four million Chinese whom the Peking Government regards as "compatriots" on Chinese soil. Why then does China stand by and allow such capitalist exploitation to continue? After all, Chinese troops could occupy the territory almost at will. Short of that, nothing would hasten measures for social reform more than if China protested about the current state of affairs to the Hong Kong authorities or to Britain. Nothing would do more to curb the autocratic behaviour of employers than a wholehearted involvement in workplace organisation by those trade unions sympathetic to Peking (the strongest group), and a struggle against victimisation and for higher wages. Instead, presumably under orders from Peking, they have actually played a part in smothering workers' grievances during the stringent economic conditions of 1974-5.

China's silence over Hong Kong is usually put down to the economic and political advantages which she derives from the present situation. The economic advantages are easier to document.

economic advantages

Hong Kong provides some 40 per cent of China's foreign exchange earnings through exports to the Colony, re-exports to the outside world, and remittances from the Overseas Chinese. It is this foreign exchange which enables China to buy wheat in times of need and to import the high technology plant and equipment which the Chinese have decided are vital for economic development. In recent years the Bank of China in Hong Kong has even been arranging credit from the suppliers of foreign goods. Hong Kong is therefore China's main window on the world, a centre for financial deals, and a giant workshop converting unprocessed materials into manufactured products. The result is that through a variety of institutions China is deeply enmeshed in the commercial life of the Colony. The Peking Government operates a chain of more than fifty department stores, thirteen banks of which the Bank of China is the most important, the China Travel Service, the China Resources Corporation, two insurance companies, three financial syndicates, and various restaurants, transport firms, shoe shops, and publishing companies. The China Resources Corporation is Peking's major trading agency. Recently it has taken the unprecedented step of buying land in the Colony for industrial purposes.

Nothing illustrates the commercial character of China's relationship with Hong Kong more than the case of Mr K. C. Wong, former chairman of the communist dominated Chinese Chamber of Commerce in Hong Kong and delegate to China's National People's Congress. With interests in shipping, department stores and a restaurant he is a millionaire. (This situation is paralleled in Macao, the Portuguese enclave just along the coast from Hong Kong, where Mr Ho Yin, also a member of the National People's Congress, is again a millionaire and part owner of a race course.)

Ideologically shocking as these facts may be to China's supporters in Britain, they are facts that have to be faced. China's commercial involvement with Hong Kong is substantial, profitable, and beyond dispute. Moreover, China has generally taken steps to ensure that business conditions are favourable in the Colony. Throughout the 1960s the basic necessities of life—food, water, raw materials—were exported to Hong Kong by China at prices below the market rate. This made a substantial contribution to mitigating the Hong Kong rate of inflation and reduced the pressure upon industrialists to pay higher wages. The communes were subsidising the capitalists. Since the 1972 detente with the USA, China's policy has changed to one of charging the going rate for food and raw materials. But when the oil crisis hit the Colony China promptly came to the rescue with supplies of her own oil at "friendship" prices, and in 1975 was sending supplies to the Colony at the rate of 16 rail deliveries a month and, typical of the sym-

biotic relationship between the People's Republic and this most capitalist of colonies, finding it to be a lucrative business. Some of the Hong Kong land which the China Resources Corporation has bought is for the construction of an oil storage base to facilitate this trade. The new oil refinery and petrochemical complex now being built at Whampoa, 80 miles to the north, will produce industrial raw materials eminently suitable for processing in Hong Kong factories. In recent years rail, telex and trunk communications between Hong Kong and China have been improved and the telex link with Peking was inaugurated in April 1973 by a message from Peking which read: "We feel this to be symbolic of continued expanding mutual communications links and wish for new developments and co-operation in the future."

political advantages

While the economic advantages to Peking of the Hong Kong connection are plain, there are many observers who feel that there must be more to China's tolerance of this imperialist regime than mere economism. Traditional Chinese pride plus Maoist ideology make the Peking Government's attitude appear incomprehensible, even heretical. Hence there has been much speculation about what Peking's true motives are. Three views are popular.

One is that Hong Kong has been, and is, China's listening post and contact point with the outside world. It provides a convenient venue for discussing business and politics with foreigners and much information can be gathered in this way which would otherwise be missed. The latest products of Western technology can be examined and purchased. It serves as a link between China and the millions of Overseas Chinese. And where else could discreet meetings take place between Taiwanese and Chinese communists? Another view is that so long as Hong Kong remains a British colony the Chinese Government, through creating civil disturbances in Hong Kong, can put pressure on the British to, in turn, put diplomatic pressure upon the American Government. In this theory Hong Kong provides China with leverage over Britain and the USA. It must be said that the evidence for this is rather flimsy. The third view is that China receives no particular political advantage but that she is simply taking her usual long view of history and waiting for the imperialist paper tigers to fall apart. And 1997 may solve the whole situation in a legal and non-violent manner, anyway.

Two further, and contradictory, views sometimes expressed are: (a) that China would find Hong Kong's 4.25 million highly individualistic people a difficult and indigestable morsel to swallow; and (b) that after the death of Mao Tse-tung and Chou En-lai a power struggle will develop in Peking over the succession. In this struggle the absorption of Hong Kong will be both a diversionary tactic and a proof of virility.

There is a more realistic possibility: that China is apprehensive about the consequences of her taking action. Of course it would be easy for her to take Hong Kong by force, but the diplomatic repercussions would be considerable. Her current good relationships with the West would be shattered to the accompaniment of rejoicing in the Kremlin. Short of military action the Chinese leaders in Peking may believe that even diplomatic pressures on Britain over Hong Kong might be counterproductive.

The fact is that no-one in the West seems to know which of these theories, if any, is correct. Nor does it matter in the present context. For whether for economic reasons, or political reasons, or a combination of the two, China shows no signs at present of wanting an end to the *status quo* in Hong Kong. To state this obvious fact is *not* the same as saying that China must therefore bear responsibility for conditions in Hong Kong and Britain can sit back and do nothing. Rather it means that in the past, present, and foreseeable future responsibility for Hong Kong and the condition of its people rests not only in law but in reality with the British Parliament.

5. what can be done?

There are four options open to Britain. First, it could hand Hong Kong back to China. This would certainly cut the Gordian knot. But there is no pressure for this from the Chinese Government nor, within the limits of expression allowed, from the people of Hong Kong, and until there is it will not happen. Secondly, Britain could institute a genuinely representative system of government in the Colony and let the Hong Kong people take it from there. This has its attractions in principle, but it might be seen by Peking as a provocation which could not be ignored. The ensuing upheaval in international relations would be dramatic and one which the UK Government is not going to risk. Thirdly, it could go on as at present, regarding the Colony with a mixture of apathy and bewilderment, saying and doing as little as possible. A clear example of this approach was given by Lord Goronwy-Roberts, Minister of State with special responsibility for Hong Kong. At a press conference in Hong Kong, he said on the question of social welfare: "You are autonomous and must decide your own policy . . . We are interested in your programme but disinclined to interfere except to stand by as friends to assist you should you need it" (*Hong Kong Standard,* 18 January 1975). Finally, Britain could recognise that the present situation brings little but odium, and consequently determine to initiate a vigorous programme of social reform. Such an assumption of paternal responsibility by the colonial power would be a rather unfashionable thing to do, but in the prevailing circumstances it would be the most practical and honourable.

external pressure

To achieve anything the British Government would have to confront certain problems of *realpolitik.* The first of these would be the attitude of China toward social reforms. Although China appears to accept the *status quo* there is no evidence for the view, sometimes argued by business interests in Hong Kong, that China would actively resent improvements in social standards. Certainly she has not objected to the various plans announced since 1971 by the Hong Kong Government. Her main concern would be to prevent any moves to grant independence, so creating a "Third China." Assurances to Peking on this matter could readily be given.

The second problem is much more difficult. This is the large degree of autonomy which the Hong Kong administration enjoys; a position reminiscent in some ways of Southern Rhodesia before Ian Smith's rebellion. If the British Government and Parliament should become serious about reform in Hong Kong then it will be necessary to play the few constitutional cards left. A major part of this problem is the ignorance of the Foreign and Commonwealth Office—which in its statements often appears to be a dupe of the persuasive propaganda of the Hong Kong Government—and of Members of Parliament who, with a few exceptions, have taken little or no interest in the problems of the territory. Certainly MPs need a greater insight into its problems and ethos than can be gained from heavily manipulated one week tours, or even from reading pamphlets. The occasional visiting British MP who gets the official treatment is no substitute for a proper inquiry into social welfare, education, industrial safety, housing, or industrial relations.

Accordingly, as a matter of urgency, the British Government should set up a Commission of Enquiry into conditions in Hong Kong. This Commission should have wide ranging terms of reference and full powers to call for evidence and investigate matters on the spot. Whatever this Commission eventually reported and recommended, and the report should be available in a matter of months rather than years, a further important step after the Commission had ended its work would be the appointment of a House of Commons Select Committee on Hong Kong. The function of this Select Committee would be to examine the annual and other reports of the Hong Kong Government, and matters in connection therewith. The Committee's appointment should be renewed sessionally. In this

way Members from both sides of the House would be able to monitor events in Hong Kong and present their findings. Meanwhile, the Foreign and Commonwealth Office should call upon the Hong Kong Government to collect and publish much fuller governmental, social and economic statistics than it does at present. It is noticeable that as the Hong Kong *Annual Report* has become glossier its content has become shallower. Essential as these steps will be in breaking down barriers of ignorance and apathy they will not, in themselves, be sufficient to bring about change.

It might, for example, be necessary to point out to the Hong Kong administration in the strongest terms how difficult it is for the UK Government to resist calls, from both employers and trade unions, for additional limitations on Hong Kong imports into Britain, so long as social and labour conditions remain in their present state. Or it might be that a condition of any British troops remaining in the Colony should be a much greater commitment by the Hong Kong Government to social reforms.

internal changes

The power structure within the Colony itself must also be tackled. It has to be recognised, of course, that no fundamental shift in wealth or power within Hong Kong can occur so long as it remains a Colony. That is why the metropolitan power, Britain, must take its responsibilities toward the people of Hong Kong much more seriously than it has done in the past. But certain changes can be made.

The first point is that through the Governor the British Government has a trojan horse inside the Hong Kong Government. The post of Governor is obviously a key one, and the power structure within the Colony cannot determine who he shall be. The present Governor, Sir Murray MacLehose, is a considerable improvement on some previous holders of that post and, since his arrival in 1971, he has shown that he is personally committed to social reforms. Perhaps this is because he is not from the conventional colonial service mould. So long as there is a Governor in Hong Kong the British Government should take care to appoint strong and respected figures, well known in Whitehall and able to cut through traditional pomposities. Sir Hugh Foot or Sir Edward Boyle, as they were in the 1960s, would have been invaluable in Hong Kong at that time.

Once appointed, the Governor needs support to combat those of his own departmental heads who are deeply conservative, and the phalanx of big business interests on the Legislative and Executive Councils. A British Government and Parliament committed to reform will supply important external pressure, but there is also a need for a more representative Legislative Council. A detailed plan cannot be put forward here, but the elements of change seem clear and were suggested some years ago by Rear (in Hopkins, *op cit*). First, there should be payment for service on both Councils so that proper time can be given to the responsibilities of office and working men and women enabled to serve. Secondly, the size of the Legislative Council should be expanded by giving seats to the heads of all major government departments. This, in turn, would permit a larger number of Unofficial Members to be brought in so that a wider range of experience could be brought to bear on problems. The Governor, however, would retain both his original and a casting vote so that the official view would always prevail in the end. This would clear the way for the third innovation, which would be that all Unofficial Members would be elected and not appointed. This would both ensure that some legislators at least were in touch with grass roots opinion, and that China could see there was no question of a self-governing "Third China." Finally, much greater time should be allowed for questions and debate in the legislature. The current one afternoon a fortnight is absurd. Following these changes on the Legislative Council there should be no difficulty in appointing Unofficial Members to the Executive Council from a wider background than at present. No

great revolution would follow such changes, nor would there be a terrible rocking of the boat. A regime as deeply entrenched as the commercial elite in Hong Kong does not pass away overnight as a result of constitutional alterations. But some necessary steps toward reform will have been taken within the peculiar constraints of the Hong Kong situation.

An essential feature in redressing the internal structure of power must be a widening of the franchise. At present only about 20 per cent of the population who are of voting age qualify to vote. An enlarged electorate would naturally also elect the Urban Councillors.

Three further steps seem necessary. One is that the Colony should acquire an Ombudsman: "a man of eminence, appointed by the Governor but removable only with the consent of the Secretary of State, paid a very high salary to devote himself full time, with a small staff, to the investigation of complaints and with the necessary powers to enable him to do so; a man who can call for any departmental file, summon witnesses, make recommendations as a result of his findings; a man whose findings are published" (Rear, *op cit*). Another is that all four trade union places on the Labour Advisory Board should be filled by election, and that the trade unions should be informally consulted, as are the employers, about proposed labour legislation. Thirdly, there must be a review of the present system of appointments to advisory boards and committees with a view to drawing members from a much wider circle.

If any British reader doubts whether such constitutional adjustments are required, he should note the current tone of statements coming from the Colony on the subject of social welfare. It might be thought that the case for urgent social reforms is obvious to all; but this is not the way the local power elite sees matters. It is true that in his first Opening Address at the beginning of the 1972-3 session of the Legislative Council, the new Governor, Sir Murray MacLehose, announced that priority should be given to housing, education, and social welfare. Subsequently, wide ranging plans were proposed which, while in no sense meeting the needs of the situation, certainly sought to redress years of neglect. But soon after these plans were presented the world economy went into recession. Effectively there was no economic growth at all in Hong Kong in 1974, and public spending plans were cut by 18 per cent in the 1975 budget. Development plans for medical services have been cut back, part of the housing programme is subject to a five year delay, the White Paper on Education is being "modified."

The economic climate has presented an opportunity for those who resent the Governor's reforming approach to advance three arguments: (a) that Hong Kong's trade difficulties considerably reduce the prospect of finding more money for social reforms; (b) that anyway there have already been "major changes" since 1971; and (c) that too rapid a rate of change will damage business confidence. In other words, leave things alone. In the 1960s it was argued that the economy was doing so well there was no need for reform, now it is argued that the economy is doing so badly it cannot afford reform. Catch 22. The whole argument reflects the belief of the power-holders that their narrow sectional interests are the same as the general interests of society. The distribution of wealth and power in Hong Kong gives one leave to doubt that proposition. The British Government should doubt it too.

legislation is not enough

It would be comparatively easy to draw up a list of proposals for social change which went beyond those currently contemplated by the Hong Kong Government, and yet represented no more than the now almost universal recognition that neither the individual, nor his family, should assume the major responsibilities for the hazards involved in being a permanent member of an industrial labour force. A minimum wage; the application of ILO Convention No 138 on the Mini-

mum Age for Admission to Employment (not yet even ratified by the UK) ; a stricter code of industrial safety ; more places for the rehabilitation of the Colony's 100,000 drug addicts (the Government currently provides 2,000 places, with more than half of these provided by the Prisons Department) ; a greater commitment to care for the mentally retarded ; these and many other matters would feature in such a list. The present rates of taxation could be raised, their application widened, the loopholes blocked, without frightening capital away. Of course, there would be an outcry ; no-one in the world over-reacts to such matters as does the Hong Kong businessman. But he also knows a good thing when he sees it and, even with higher tax rates, Hong Kong would still be unrivalled as a centre for trade and business in South East Asia.

The problem is that legislation is not enough. Without adequate social institutions legislation can end up as mere window dressing. The proposed Committee of Enquiry should therefore look carefully at this aspect of matters in Hong Kong. There is, for example, the attitude of the courts towards employers who break the law. In case after case the sentences imposed are well below the maximum and frequently unrelated to the seriousness of the offence. In 1971 there were 449 prosecutions for operating unfenced machinery ; they resulted in fines amounting to about HK$290 per case. In 1971-2 there were 348 prosecutions for locking or obstructing exits and fire escapes and 759 for failing to comply with fire prevention orders, but the fines amounted to an average of only HK$174 per case. The maximum penalty is HK$5,000 (England and Rear, *op cit*). The average penalty imposed upon employers found guilty of illegally employing child labour over the past two years (April 1973-March 1975) is HK$328. Again, the maximum is HK$5,000 (about £500).

More fundamental is the weakness of the trade unions. Many of them are inefficient, corrupt, hampered by lack of funds, inexperienced leaders, and restrictive laws. Because they are politically divided between those sympathetic to Peking, those sympathetic to Taiwan, and those which stand aloof from this argument, they do not speak with one voice. Divided, they are ruled. Yet a central problem in Hong Kong is one familiar to all industrialised countries: how to build up formal relationships between employers and their workers and, linked with this, how to secure recognition of the fact that trade unions have a valuable role to play in industry and society at large. Legislation can help in this respect—it is one of the romantic myths of labour movements that they grew to their present significance by relying on their own strength—but surely there is a role here too for the TUC and the international trade union movement. Positive help, guidance, and involvement on a much larger scale than at present, is required.

The training of social workers and teachers too is an area where British help is required, not merely to supplement the efforts already made, but to provide a wider perspective than is common among those responsible for these matters in the Colony.

Finally, what about the British Armed Forces ? Their presence in Hong Kong is both a present cost (some £40 million per year at current rates of exchange) and a potential embarrassment. Money which would be better spent on housing, education, and social welfare (in both Britain and Hong Kong) is being drained away on their upkeep, and Defence Secretary Roy Mason has said that he will be asking the Hong Kong Government to bear a greater proportion of their cost when the present agreement expires in March 1976 (*Defence Review,* 3 December 1974). But this merely means that even less money will be available in Hong Kong for social purposes. So why have troops there at all ? The commitment is not inconsiderable: one out of every eleven British infantrymen is in Hong Kong. Even so, the notion that they are there to oppose the People's Liberation Army is not credible.

The army in Hong Kong really has two roles. One is to prevent outbreaks of local

trouble along the 22 mile border with China ; the sort of peasant quarrel over land that could escalate into a confrontation desired neither by Hong Kong nor by the People's Republic. One infantry battalion stationed close to the border is generally agreed to be sufficient to deter this kind of trouble. The second role is to act a a back-up for the police in riot situations. The problem of " internal security " looms large in the minds of the Hong Kong Government and this is why they want a total of four to five infantry battalions there. The memory of the 1967 riots is never far away.

But 1967 provides a classic example of the dynamics of social change. Never, in all Hong Kong's history, has there been such a rush of reforming legislation as followed the 1967 riots. The lesson for the Hong Kong and British Governments should be clear: reform now with peace and honour, or reform after riots and bloodshed. The real problem is not how many troops are required to act as musclemen for a businessmen's regime, but how to change that regime. The more the regime changes the less need there will be for forceful suppression of the people. For the years that remain to Hong Kong as a British colony Britain's involvement should be, along the lines suggested in this pamphlet, as a responsible and conscientious protector of its people from the worst excesses of their free enterprise economy. A curious, paradoxical, but necessary role in this last outpost of Empire.

appendix 1: trade and foreign investment

For many years Britain has imported more from Hong Kong than she has sold there. In 1974 Britain exported goods worth HK$1,942 million to the Colony and bought from there goods worth HK$2,768 million. In that year the Colony's major sources of imports were: Japan (20.9%); China (17.6%); USA (13.5%); Britain (5.7%). The major markets for its exports were: USA (32.4%); Britain (12.1%); West Germany (10.7%); and Australia (5.7%).

Hong Kong's total trade reached HK$64,156 million in 1974, with imports valued at HK$34,120 million; domestic exports HK$22,911; and re - exports HK$7,124 million. Domestic exports consisted almost entirely of manufactured goods. Textiles and clothing accounted for 50 per cent of the total, and other major export items were electrical machinery and apparatus, toys and dolls, artificial flowers, watches and clocks, jewellery, and footwear.

The extent of British investment in Hong Kong is impossible to estimate for British capital has been involved there from the beginning of its colonization. All the major trading houses are British in origin, although often regarded now as Hong Kong companies, and they have widely diversified their activities into shipping, airways, insurance, property, travel services, retailing, and numerous forms of manufacturing. Hong Kong Government surveys of overseas investment in manufacturing do not include these companies in their tables. The latest figures show that by far the greatest overseas investor in the Colony's manufacturing sector is the USA—chiefly in clothing, textiles and electronics—while Thailand has been investing almost as much as Britain in recent years.

OVERSEAS INVESTMENT IN MANUFACTURING INDUSTRY
BREAKDOWN BY SOURCE (at JUNE 30, 1975)

Source of investment	No. of establishments	Investments (excl HK interest) ($m)	
US	95	818.9	(49.2%)
Japan	68	256.8	(15.4%)
UK	26	138.1	(8.3%)
Thailand	5	134.5	(8.1%)
Australia	14	90.1	(5.4%)
Singapore	8	61.0	(3.7%)
Taiwan	7	31.0	(1.9%)
Switzerland	12	28.2	(1.7%)
France	3	23.9	(1.4%)
The Netherlands	4	22.7	(1.4%)
Philippines	4	15.8	(1.0%)
West Germany	7	12.0	(0.7%)
Others	15	29.9	(1.8%)
Total	268*	1,662.9	(100%)

* The actual number of establishments is 250. The discrepancy arises because some companies are joint ventures involving more than one overseas interest.
Source: Hong Kong Government.

appendix 2: short guide to further reading

There are three collections of essays which provide valuable accounts of various aspects of modern Hong Kong: I. C. Jarvie with Joseph Agassi, eds., *Hong Kong: A Society in Transition* (Routledge and Kegan Paul, 1969); Keith Hopkins, ed., *Hong Kong: The Industrial Colony: A Political, Social and Economic Survey* (Oxford University Press, 1971); Association for Radical East Asian Studies, *Hong Kong: Britain's Last Colonial Stronghold* (Association for Radical East Asian Studies, 1972). Up-to-date but highly selective information can be found in the official volume issued annually by the Hong Kong Government. The current volume is *Hong Kong 1975: Report for the Year 1974.* A succinct critique of the present situation from a left-wing viewpoint is *Hong Kong: A Case to Answer* (Spokesman Books, 1974). Joe England and John Rear, *Chinese Labour Under British Rule: A Critical Study of Labour Relations and Law in Hong Kong* (Oxford University Press, 1975) although primarily concerned with labour issues, includes material on the economic and political framework. Information about the British commercial elite can be found in Dick Wilson, 'Hong Kong's British Empires,' *Management Today,* Nov. 1967; Allan T. Demaree, 'The Old China Hands Who Know How to Live with the New Asia,' *Fortune,* Nov. 1971; Ivan Fallon, 'The British Hongs push harder in the scramble for Eastern Wealth,' *The Director,* May 1974.

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